

Financial Statements

**St. Joseph County
Community Mental Health Services**

Three Rivers, Michigan

September 30, 2004



Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name St. Joseph County Community Mental Health	County St. Joseph
Audit Date 9/30/04	Opinion Date 12/7/04	Date Accountant Report Submitted to State: 3/25/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

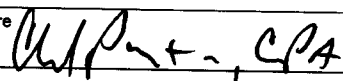
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) ROSLUND, PRESTAGE & CO., PC, CPA'S			
Street Address 308 GRATIOT AVENUE		City ALMA	State MI
Accountant Signature 		ZIP 48801	Date 3/25/05

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September 30, 2004

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INDEPENDENT AUDITOR'S REPORT

St. Joseph County Community Mental Health Services
Three Rivers, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Joseph County Community Mental Health Services (the Authority), a component unit of St. Joseph County, as of and for the year ended September 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2004 on our consideration of the Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages I - III and budgetary comparison information on page 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplemental information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 7, 2004

MANAGEMENT'S DISCUSSION and ANALYSIS

St. Joseph County Community Mental Health Services
Financial Statements for the Fiscal Year Ended September 30, 2004
Management's Discussion and Analysis

The management of St. Joseph County Community Mental Health Services presents the following analysis and overview of financial activities and condition of the organization during the past fiscal year. This presentation is an effort to better inform the reader of the financial statements.

Financial Highlights

Beginning October 1, 2002, the Michigan Department of Community Health contracted with a designated Prepaid Inpatient Health Plan (PIHP) for Medicaid services within a designated geographic region. Kalamazoo Community Mental Services was awarded the contract for the four county area of Kalamazoo, Allegan, Cass and St. Joseph counties. Kalamazoo then entered into a Medicaid sub-contract agreement with each of the three CMHSP's. Separate General Fund contracts were issued by the state to each individual Community Mental Health Service Program (CMHSP).

This contracting arrangement is expected to remain the same through fiscal year 2005.

Overview of the Financial Statements

Two types of financial statements are provided: Government-wide Statements and Fund Statements.

The **government-wide financial statements** are designed to provide readers with a broad overview of the organization's finances in a manner similar to a private sector business. The report includes two government-wide statements that focus on operations of the organization as a whole.

The Statement of Net Assets presents information of all of St. Joseph County Community Mental Health Services' (SJCCMHS) "assets" (what is owned), "liabilities" (what is owed) and the "net assets" (the resources that would remain if all obligations were settled). Changes in net assets serve as a useful indicator in determining whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how net assets changed during the fiscal year. Reporting of activities is on an accrual basis, meaning that the change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related movement of cash.

St. Joseph County Community Mental Health Services
Financial Statements for the Fiscal Year Ended September 30, 2004
Management's Discussion and Analysis

The **fund financial statements** report groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. SJCCMHS, as a governmental authority, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These funds are divided into two categories: governmental funds and proprietary funds.

Governmental fund statements have a narrower focus than that of the government-wide financial statements in that its focus is on the short-term movement of spendable resources and on the balances of spendable resources available at the end of the fiscal year.

The proprietary fund reported by SJCCMHS in fiscal year 2003 was a reserve account held as a self-retention portion of risk insurance. This fund was liquidated during fiscal year 2004 due to the unavailability of risk insurance.

Several significant variances between FY 2004 and FY 2003 were revealed in this statement which are explained as follows:

	FY 2004	FY 2003
Cash and cash equivalents	\$2,045,356	\$2,856,547
Due to other governmental units	\$ 210,762	\$1,016,031
Reserve for self-retention	\$ -	\$ 110,586

Due to a reallocation of Medicaid both at the state level and at the PIHP level, SJCCMHS received approximately \$800,000 less in Medicaid funding. This funding reduction affected both the cash account and liabilities to other governmental units.

SJCCMHS has participated in the Michigan Municipal Risk Management Authority Risk Protection Plan for several years. This is an insurance-type program to cover potential Community Mental Health Board budget overruns. In fiscal year 2004, MMRMA was not comfortable with the new funding provisions as proposed by the state. For this reason, they did not issue coverage agreements for the fiscal year beginning October 1, 2003. SJCCMHS dissolved the reserve for self-retention and transferred the balance to general operations.

St. Joseph County Community Mental Health Services
Financial Statements for the Fiscal Year Ended September 30, 2004
Management's Discussion and Analysis

The following table presents the adopted budget for fiscal year 2004 compared to actual:

	Budget	Actual	Variance
Revenues	\$10,228,695	\$9,947,095	(\$281,600)
Expenditures	10,228,695	10,020,864	207,831

Actual financial activity for the year resulted in an excess of expenditures over revenues of \$73,769. The transfer in from the risk-retention reserve added \$111,293 to general operation, resulting in an increase to the fund balance of \$37,524.

Future financing

Due to a budget shortfall at the state level, funding is uncertain for fiscal year 2005. For fiscal year 2004, the affiliation reported Medicaid revenue of \$62,051,460 and Medicaid expenditures of \$61,954,494, resulting in a surplus of \$96,966.

**BASIC FINANCIAL STATEMENTS -
GOVERNMENT WIDE FINANCIAL STATEMENTS**

St. Joseph County Community Mental Health Services
Statement of Net Assets
September 30, 2004 and 2003

	Governmental Activities	
	2004	2003
Assets		
Current assets		
Cash and cash equivalents	\$2,045,356	\$2,856,547
Accounts receivable	13,560	17,544
Due from other governmental units	21,021	21,234
Prepaid items	131,844	119,416
Total current assets	2,211,781	3,014,741
Noncurrent assets		
Cash and cash equivalents - restricted	128,387	127,497
Capital assets - depreciable, net	136,062	122,329
Total noncurrent assets	264,449	249,826
Total assets	2,476,230	3,264,567
Liabilities		
Current liabilities		
Accounts payable	620,954	524,749
Accrued wages and other payroll liabilities	76,828	58,699
Deferred revenue	43,770	81,843
Due to other governmental units	210,762	1,016,031
Total current liabilities	952,314	1,681,322
Noncurrent liabilities		
Compensated absences	136,685	138,381
Total liabilities	1,088,999	1,819,703
Net Assets		
Invested in capital assets, net of related debt	136,062	122,329
Reserved for risk management	-	110,586
Unrestricted	1,251,169	1,211,949
Total net assets	\$1,387,231	\$1,444,864

See Accompanying Notes To Financial Statements

St. Joseph County Community Mental Health Services
Statement of Activities
For the Years Ended September 30, 2004 and 2003

Functions	Program Revenues			Net (Expense) Revenue and Change in Net Assets	2003
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities					
Health & Welfare - Mental Health	<u>\$10,005,435</u>	<u>\$7,859,330</u>	<u>\$2,066,032</u>	<u>(\$80,073)</u>	<u>(\$348,434)</u>
General revenues					
Unrestricted investment earnings				21,733	43,782
Restricted investment earnings				<u>707</u>	<u>975</u>
Total general revenues and contributions				<u>22,440</u>	<u>44,757</u>
Change in net assets				(57,633)	(303,677)
Net assets - beginning of year				<u>1,444,864</u>	<u>1,748,541</u>
Net assets - end of year				<u>\$1,387,231</u>	<u>\$1,444,864</u>

See Accompanying Notes To Financial Statements

FUND FINANCIAL STATEMENTS

St. Joseph County Community Mental Health Services
Balance Sheet
Governmental Funds
September 30, 2004 and 2003

	Special Revenue Fund	
	2004	2003
Assets		
Cash and cash equivalents	\$2,045,356	\$2,752,809
Accounts receivable	13,560	17,544
Due from other governmental units	21,021	21,234
Prepaid items	131,844	119,416
Restricted cash	128,387	127,497
Total assets	<u>\$2,340,168</u>	<u>\$3,038,500</u>
Liabilities		
Accounts payable	\$620,954	\$524,749
Accrued wages and other payroll liabilities	76,828	58,699
Due to other funds	-	6,848
Deferred revenue	43,770	81,843
Due to other governmental units	210,762	1,016,031
Total liabilities	<u>952,314</u>	<u>1,688,170</u>
Fund balances		
Reserved for prepaid items	131,844	119,416
Reserved for compensated absences	136,685	138,381
Unreserved	1,119,325	1,092,533
Total fund balances	<u>1,387,854</u>	<u>1,350,330</u>
Total liabilities and fund balances	<u>\$2,340,168</u>	<u>\$3,038,500</u>

See Accompanying Notes To Financial Statements

St. Joseph County Community Mental Health Services
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For the Year Ended September 30, 2004

Total fund balance - governmental funds	\$1,387,854
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds.

Add: capital assets	698,206
Deduct: accumulated depreciation	(562,144)

Some liabilities are not due and payable in the current period and
therefore are not reported in the funds. Those liabilities consist of:

Deduct: Compensated absences	<u>(136,685)</u>
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Net assets of governmental activities	<u><u>\$1,387,231</u></u>
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See Accompanying Notes To Financial Statements

St. Joseph County Community Mental Health Services
Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Fund Types
For the Years Ending September 30, 2004 and 2003

	Special Revenue Fund	
	2004	2003
REVENUES		
State grants		
Department of community health - formula and categorical	\$1,718,453	\$1,693,406
Title XX	1,528	1,528
Other state grants	10,796	9,186
Total state grants	<u>1,730,777</u>	<u>1,704,120</u>
Federal grants	<u>71,740</u>	<u>69,007</u>
Contributions - local units		
County appropriations	<u>192,980</u>	<u>192,980</u>
Charges for services		
Medicaid	7,716,364	7,493,143
Client and third party pay	129,517	130,233
Contract revenue	13,449	65,825
Total charges for services	<u>7,859,330</u>	<u>7,689,201</u>
Interest and rents		
Interest	21,733	43,782
Rents	55,003	55,351
Total interest and rents	<u>76,736</u>	<u>99,133</u>
Other revenue	<u>15,532</u>	<u>677</u>
Total revenues	<u>9,947,095</u>	<u>9,755,118</u>
EXPENDITURES		
Health & welfare - mental health		
Personnel costs	2,626,001	2,641,308
Operating expenditures	7,321,991	7,365,320
Capital outlay	<u>72,872</u>	<u>12,297</u>
Total expenditures	<u>10,020,864</u>	<u>10,018,925</u>
Excess of revenues over expenditures	(73,769)	(263,807)
Other financing sources (uses)		
Operating transfers in (out)	<u>111,293</u>	<u>(6,848)</u>
Excess of revenues and other sources over (under) expenditures and other uses	37,524	(270,655)
Fund balance, October 1	<u>1,350,330</u>	<u>1,620,985</u>
Fund balance, September 30	<u><u>\$1,387,854</u></u>	<u><u>\$1,350,330</u></u>

See Accompanying Notes To Financial Statements

St. Joseph County Community Mental Health Services
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2004

Net change in fund balances - total governmental funds	\$37,524
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay	72,872
Deduct: depreciation expense	(59,139)
An internal service fund is used by management to cover the risk of overspending the Managed Care Specialty Services Program contract. The net revenue (expense) of the fund attributable to those funds is reported with governmental activities.	
Add: interest income from governmental internal service fund	707
Less: operating transfers from governmental internal service fund	(111,293)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Plus: Decrease in accrual for compensated absences	<u>1,696</u>
Change in net assets of governmental activities	<u><u>(\$57,633)</u></u>

See Accompanying Notes To Financial Statements

St. Joseph County Community Mental Health Services
Statement of Net Assets
Proprietary Funds
September 30, 2004 and 2003

	<u>Internal Service Funds</u>	
	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	-	\$103,738
Due from other funds	-	6,848
	<u>-</u>	<u>110,586</u>
Total assets	<u>-</u>	<u>\$110,586</u>
Net assets		
Restricted	<u>-</u>	<u>\$110,586</u>

See Accompanying Notes To Financial Statements

St. Joseph County Community Mental Health Services
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Years Ended September 30, 2004 and 2003

	<u>Internal Service Funds</u>	
	<u>2004</u>	<u>2003</u>
Non-operating revenues		
Interest income	\$707	\$975
Operating transfers		
Operating transfers in (out) - special revenue fund	<u>(111,293)</u>	<u>6,848</u>
Change in net assets	(110,586)	7,823
Net assets, beginning of year	<u>110,586</u>	<u>102,763</u>
Net assets, end of year	<u><u>-</u></u>	<u><u>\$110,586</u></u>

See Accompanying Notes To Financial Statements

St. Joseph County Community Mental Health Services
Statement of Cash Flows
Proprietary Funds
For the Years Ended September 30, 2004 and 2003

	<u>Internal Service Funds</u>	
	<u>2004</u>	<u>2003</u>
Cash flows from operating activities	-	-
Cash flows from noncapital financial activities		
Operating transfers in	-	\$3,442
Operating transfers out	<u>(\$104,445)</u>	<u>-</u>
Net cash provided (used) for noncapital financial activities	(104,445)	3,442
Cash flows from investing activities		
Proceeds from interest earnings	<u>707</u>	<u>975</u>
Net increase (decrease) in cash	(103,738)	4,417
Cash and cash equivalents, beginning of year	<u>103,738</u>	<u>99,321</u>
Cash and cash equivalents, end of year	<u><u>-</u></u>	<u><u>\$103,738</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	<u><u>-</u></u>	<u><u>-</u></u>

See Accompanying Notes To Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

St. Joseph County Community Mental Health Services
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the St. Joseph County Community Mental Health Services (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Authority.

In June of 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The significant changes included in Statement No. 34 include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Authority’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Authority’s activities
- A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Authority has implemented the provisions of Statement No. 34 effective October 1, 2002.

Reporting Entity

The Authority operates as a Community Mental Health Authority under the provisions of Act 258 - Public Acts of 1974, as amended. The Authority provides funding for services in the areas of mental illness, developmental disabilities, and other related mental health needs for residents of St. Joseph County.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Authority’s reporting entity, and which organizations are legally separate, component units of the Authority. Based on the application of the criteria, the Authority does not contain any component units.

The Authority is an integral part of the County of St. Joseph, the oversight unit. The financial statements of the Authority should be included in the annual financial report of the County of St. Joseph, as a discretely presented component unit.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

Governmental Fund Financial Statements - The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end.

An exception to the "60 day" rule is the recognition of certain patient fee revenues and the related receivables. The Authority has elected to recognize these revenues on the cash basis of accounting, which is in compliance with the Department of Community Health's revenue recognition formula. The difference between the cash basis of accounting and modified accrual basis of accounting for these revenues are not material to the financial statements.

Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. Exceptions to this general rule include:

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at September 30, has been reported only in the government-wide financial statements.
- Interest on general long-term obligations is recognized when paid.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

Proprietary Fund Financial Statements – The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the internal service fund are charges to other funds for insurance services. Operating expenses for internal service funds include the cost of claims, administration and reinsurance. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

The Authority reports the following major governmental and proprietary funds:

Governmental Funds

Special Revenue Fund - This fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in other funds.

Proprietary Funds

Internal Service Fund - This fund represents amounts set aside to fund the net uninsured exposure of potential shortfalls of contract revenues.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

Budgetary Data

Budgets are adopted by the Authority for all governmental funds. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is also adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority's deposits are in accordance with statutory authority.

Cash and Cash Equivalents - Restricted

The Authority has charged to the Department of Community Health, the vested portion of compensated absences as of September 30. The Authority maintains a separate cash account for payment of the compensated absences liability.

Receivables

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from the Michigan Department of Community Health and the State of Michigan.

Inventories

The Authority does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fixed Assets

Capital assets, which include furniture, fixtures and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Authority as individual assets with an initial cost equal to or more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The Authority does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Furniture, Fixtures and Equipment	3 – 20
Computer Equipment	5
Vehicles	5

Compensated Absences

Authority policy allows full time employees to accumulate sick and vacation time at various rates, depending on the employee's length of service with the Authority. The governmental fund financial statements record expenditures when employees are paid for leave. The government-wide financial statements present expenditures and the related liability when these compensated absences are earned.

Governmental Fund - Fund Balance Reserves and Designations

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as prepaid items are examples of the former. The reserves for future payment of compensated absences are examples of the latter.

Inpatient / Residential Cost Liability

The amount recorded for inpatient / residential liability is based on management's estimate. This estimate is based on 1) the number of clients at each facility, 2) the number of days each client is at each facility, and 3) the daily rate charged for each facility.

The Authority does not receive actual billings for these services until several months after the service date. Therefore, the liability is not liquidated within the normal 60 day period after year end. Also, the actual cost may vary from the estimated due to reimbursements from third party payors that are applied to the total cost before the billings are sent to the Authority. This liability is included in accounts payable and due to other governmental units.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Authority does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

Excess of Expenditures over Appropriations

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended September 30, 2004, the Authority incurred expenditures in excess of the amounts budgeted as shown on page 23 of this report.

NOTE 3 - DETAIL NOTES

Cash and Investments

At year end, the carrying amount of deposits for the Authority was \$2,173,583, and the bank balance was \$2,443,216. Of the bank balance, \$100,689 was covered by federal depository insurance and the remaining, was uninsured and uncollateralized.

The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits government funds and accesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

A reconciliation of cash and investments as shown on the Statement of Net Assets follows:

Cash and cash equivalents	\$2,045,196
Cash and cash equivalents - restricted	128,387
Petty cash	160
Total	\$2,173,743

Cash is restricted for the future payment of compensated absences, since these amounts have been charged to the Department of Community Health.

Due from Other Governmental Units

Due from other governmental units as of September 30, consists of amounts due from the State of Michigan for various grant expenditures incurred but not yet reimbursed for.

Changes in Fixed Assets

A summary of changes in capital assets is as follows:

Assets	Balance 10-1-03	Additions	Disposals	Balance 9-30-04
Furniture, Fixtures and Equipment	\$195,166	\$51,843	-	\$247,009
Computer Equipment	278,664	21,029	\$(3,202)	296,491
Vehicles	154,706	-	-	154,706
Sub-total	628,536	72,872	(3,202)	698,206
Accumulated Depreciation	(506,207)	59,139	3,202	(562,144)
Totals	\$122,329	\$13,733	-	\$136,062

The proprietary fund did not have any fixed assets as of September 30, 2004.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

Due to Other Governmental Units

Due to other governmental units as of September 30, consist of the following:

	2004	2003
State of Michigan – Inpatient / Residential Care	\$168,891	\$87,924
Department of Community Health	-	42,086
Kalamazoo Community Mental Health Authority	41,871	886,021
Totals	\$210,762	\$1,016,031

Deferred Revenue

The amount reported as deferred revenue represents the general fund carry forward allowance of the Department of Community Health's authorization. As of September 30, 2004 and 2003 this amount was \$43,770 and \$81,843, respectively.

Accrued Wages and Other Payroll Liabilities

This liability represents amounts paid to employees during October that was earned during September. Also included are employer payroll taxes.

Long-Term Debt – Compensated Absences

Authority policy allows their employees to accumulate vacation, sick and other compensated absences at various rates, depending on the employee's length of service with the Authority. As of September 30, 2004 and 2003 this liability was \$136,685 and \$138,381, respectively.

Fund Equity Reserves

A portion of the fund balance at September 30 has been reserved equal to the amount of prepaid expenses, since prepaid expenses do not constitute "available spendable resources."

St. Joseph County Community Mental Health Services
Notes to Financial Statements

Operating Leases

The Authority has entered into various operating leases for the use of real property. Operating leases do not give rise to property rights or lease obligations, and therefore are not reported as assets or liabilities in these financial statements.

The following is a schedule of future minimum rental payments required under the operating leases that have initial or remaining non-cancelable lease terms as of September 30, 2003:

YEAR ENDING SEPTEMBER 30,	AMOUNT
2005	\$253,250
2006	63,348
2007	32,763
2008	-
2009	-
Thereafter	-

Compliance Audits

All governmental grants are subject to a transactional and compliance audit by the grantors or their representatives. Therefore, an indeterminable contingency exists for expenditures that may be disallowed by the granting agencies.

Risk Management

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Authority has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

Risk Management – Internal Service Fund

During the September 30, 2001 fiscal year, the Authority authorized the establishment of an internal service fund. This fund is used to cover the risk of overspending the Managed Care Specialty Services Program contract. This contract provides for the use of Department of Community Health funding for the establishment of Internal Service Funds.

Expenditures from this fund will occur when, in any one fiscal year, the Authority finds it necessary to expend more to provide services to carry out the contract requirements than revenue provided by the contract.

During the 2004 fiscal year, the assets of this fund has been transferred to the special revenue fund and considered during the 2004 contract settlement process with the Michigan Department of Community Health.

Pension Plan

The Authority contributes to a defined contribution plan for qualified employees. The name of this plan is the "Community Mental Health Services of St. Joseph County Money Purchase Pension Plan".

This pension plan is a money purchase pension plan, which was effective February 1, 1989.

The Authority is required to contribute an amount equal to 5% of union members' compensation, and 9.5% of all other eligible employees' compensation for the year.

For the years ended September 30, 2004 and 2003 the Authority's contribution to this plan totaled \$112,893 and \$119,680, respectively.

St. Joseph County Community Mental Health Services
Notes to Financial Statements

Alternative Social Security Plan

Effective January 1, 2001, the Authority adopted the St. Joseph County Community Mental Health Social Security Alternative Plan for non-union employees.

The Authority will contribute 6.2% of all non-union personnel's salary into this plan. Employees are also required to contribute 6.2% of their salary into this plan. Contributions are required for wages earned up to the Social Security Maximum Base.

Medicaid Contract

Beginning October 1, 2002, the Medicaid Funds for St. Joseph County will be paid by the Michigan Department of Community Health to Kalamazoo County CMH Authority. The contract for these Medicaid Funds will be between the MDCH and Kalamazoo County CMH Authority.

Kalamazoo County CMH Authority in turn contracts with St. Joseph County CMH Authority for Medicaid funding.

Kalamazoo County CMH Authority and St. Joseph County CMH Authority have a subcontractor relationship only. They are separate reporting entities, and not related parties.

REQUIRED SUPPLEMENTAL INFORMATION

St. Joseph County Community Mental Health Services
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Special Revenue Fund
For the Year Ended September 30, 2004

	Budgeted Amounts			Variance Between Actual and Final Budget
	Original	Final	Actual	
REVENUES				
State grants				
Department of community health - formula and categorical	\$1,735,195	\$1,820,104	\$1,718,453	(\$101,651)
Title XX	1,528	1,528	1,528	-
Other state grants	10,000	10,000	10,796	796
Total state grants	<u>1,746,723</u>	<u>1,831,632</u>	<u>1,730,777</u>	<u>(100,855)</u>
Federal grants	<u>72,373</u>	<u>72,373</u>	<u>71,740</u>	<u>(633)</u>
Contributions - local units				
County appropriations	<u>192,980</u>	<u>192,980</u>	<u>192,980</u>	<u>-</u>
Charges for services				
Medicaid	8,352,466	7,872,945	7,716,364	(156,581)
Client and third party pay	122,000	122,000	129,517	7,517
Contract revenue	32,765	22,765	13,449	(9,316)
Total charges for services	<u>8,507,231</u>	<u>8,017,710</u>	<u>7,859,330</u>	<u>(158,380)</u>
Interest and rents				
Interest	45,000	45,000	21,733	(23,267)
Rents	54,000	54,000	55,003	1,003
Total interest and rents	<u>99,000</u>	<u>99,000</u>	<u>76,736</u>	<u>(22,264)</u>
Other revenue	<u>15,000</u>	<u>15,000</u>	<u>15,532</u>	<u>532</u>
Total revenues	<u>10,633,307</u>	<u>10,228,695</u>	<u>9,947,095</u>	<u>(281,600)</u>
EXPENDITURES				
Health & welfare - mental health				
Personnel costs	2,847,501	2,667,973	2,626,001	41,972
Operating expenditures	7,720,806	7,495,722	7,321,991	173,731
Capital outlay	<u>65,000</u>	<u>65,000</u>	<u>72,872</u>	<u>(7,872)</u>
Total expenditures	<u>10,633,307</u>	<u>10,228,695</u>	<u>10,020,864</u>	<u>207,831</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(73,769)</u>	<u>(73,769)</u>
Other financing sources (uses)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>111,293</u>	<u>111,293</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>37,524</u>	<u>37,524</u>
Fund balance, October 1	<u>1,340,985</u>	<u>1,340,985</u>	<u>1,350,330</u>	<u>9,345</u>
Fund balance, September 30	<u>\$1,340,985</u>	<u>\$1,340,985</u>	<u>\$1,387,854</u>	<u>\$46,869</u>

See Accompanying Notes To Financial Statements

OTHER SUPPLEMENTARY INFORMATION

St. Joseph County Community Mental Health Services
Supporting Schedule of Personnel Costs
For the Years Ending September 30, 2004 and 2003

	Special Revenue Fund	
	2004	2003
Personnel Costs		
Salaries and wages	\$2,086,892	\$2,118,883
Fringe benefits	539,109	522,425
 Total personnel costs	 \$2,626,001	 \$2,641,308

See Accompanying Notes To Financial Statements

St. Joseph County Community Mental Health Services
Supporting Schedule of Operating Expenditures
For the Years Ending September 30, 2004 and 2003

	Special Revenue Fund	
	2004	2003
Operating Expenditures		
Advertising	\$1,118	\$1,665
Communications	31,738	31,116
Contractual services	6,042,630	5,663,656
Insurance	67,023	165,223
Meetings and conferences	54,151	44,746
Other	18,438	59,395
Printing and publishing	13,676	7,140
Rents	341,167	376,847
Repairs and maintenance	68,818	55,655
Small equipment purchases	30,272	5,259
State inpatient services	454,195	802,942
Supplies	50,238	22,794
Travel	105,870	92,079
Utilities	42,657	36,803
Total operating expenditures	<u>\$7,321,991</u>	<u>\$7,365,320</u>

See Accompanying Notes To Financial Statements



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
St. Joseph County Community Mental Health Services
Three Rivers, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Joseph County Community Mental Health Services (the Authority) as of and for the year ended September 30, 2004, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Authority, in a separate letter dated December 7, 2004.

This report is intended for the information of the audit committee, management, and Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Roslund, Prestage & Co, P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 7, 2004



MANAGEMENT LETTER

Board of Directors
St. Joseph County Community Mental Health Services
Three Rivers, Michigan

In planning and performing our audit of the financial statements for St. Joseph County Community Mental Health Services for the fiscal year ended September 30, 2004, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated December 7, 2004 on the financial statements of St. Joseph County Community Mental Health Services.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Roslund, Prestage & Co., P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

December 7, 2004

Perform a Fraud Risk Assessment

In light of the wave of notorious frauds involving large companies in the last few years, such as Enron, WorldCom, and HealthSouth, there may be a misperception that fraud affects only large companies. However, fraud occurs in companies of all sizes, and almost any employee may be capable of perpetrating a fraudulent act given the right set of circumstances. In fact, fraud may be a more significant problem for small companies. In the 2002 survey of its members conducted by the Association of Certified Fraud Examiners (ACFE), the median loss per fraud occurrence reported from businesses with 100 or fewer employees was \$127,500, a proportionately larger loss than the \$97,000 median loss in companies with 10,000 or more employees.

Whereas the highly publicized frauds at large public companies like Enron, WorldCom, and HealthSouth involved fraudulent financial reporting, for small companies, one of the primary fraud risks is the ever-present risk of misappropriation of assets (theft), particularly fraudulent cash disbursements. The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and there are inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the Authority perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Authority's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud.

The fraud risk assessment can be informal and performed by a management-level individual. Ordinarily, the management-level individual would conduct interviews or lead group discussions with personnel who have extensive knowledge of the Authority, its environment, and its processes. The fraud risk assessment process should consider the Authority's vulnerability to misappropriation of assets. When conducting the self-assessment, questions such as the following can be considered:

- Which individuals in the Authority have the opportunity to misappropriate assets? These are individuals who have access to assets susceptible to theft and to records that can be falsified or manipulated to conceal the theft.
- Are there any known pressures that would motivate individuals with the opportunity to misappropriate assets? Pressures may relate to financial stress or dissatisfaction. In assessing whether these pressures may exist, the assessor should consider whether there is any information that indicates potential financial stress or dissatisfaction of individuals with access to assets susceptible to misappropriation.
- What assets of the Authority are susceptible to misappropriation?
- Are there any known internal control weaknesses that would allow misappropriation of assets to occur and remain undetected?

Perform a Fraud Risk Assessment (continued)

- How could assets be stolen? Assets can be stolen in many ways besides merely removing them from the premises. For example, cash can be stolen by writing checks to fictitious individuals or vendors and cashing them for personal use. Inventory or other assets can be stolen through sales to fictitious customers.
- How could potential misappropriation of assets be concealed? Because many frauds create accounting anomalies, the perpetrator must hide the fraud by running it through as an adjustment to another account. Generally, fraud perpetrators may use accounts that are not closely monitored.
- What factors might indicate that the Authority has a culture or environment that would enable management or individuals to rationalize committing fraud?

Once areas vulnerable to fraud have been identified, a review of the Authority's systems, procedures, and existing controls relating to the identified areas should be conducted. The Authority should consider what additional controls need to be implemented to reduce the risk of fraud. There are two basic types of controls—those that are designed to address specific types of fraud, and those that are more general in nature. General controls that reduce an individual's ability to commit fraud without detection include the following:

- Requiring Periodic Job Rotation and Mandatory Vacations. When an employee stays in the same position for a long period and has few absences, an opportunity exists for that employee to design and commit fraud schemes. Requiring key individuals to rotate jobs periodically or to transfer to different job functions is one way to address this fraud risk. Requiring all individuals to take an annual vacation, during which time others perform their job functions, also makes it more difficult for an employee who is committing fraud to continue concealing the fraud scheme.
- Preparing and Reviewing Monthly Financial Statements in a Timely Fashion. As previously mentioned, many frauds create accounting anomalies. Thus, one way to detect fraud on a timely basis is to review monthly financial statements and investigate unusual variances. If possible, these statements should include budget, prior period, and year-to-date amounts to help identify variances. Performing the review and investigation on a timely basis helps minimize the extent of potential fraud.
- Implementing an Employee Hotline. Tips and complaints from fellow employees or vendors have enabled many companies to discover occurrences of fraud. Anonymous telephone hotlines allow honest employees and vendors who may fear retaliation from fraud perpetrators to report unethical behavior without risking exposure.

Perform a Fraud Risk Assessment (continued)

Examples of controls to prevent or detect specific types of fraud include the following:

- Independent Checks of work performed. Independent checks test another employee's work, such as by having a second employee re-perform or test an employee's work.
- Separation of Duties. Separation of duties is one of the most effective controls to prevent or detect misappropriations of assets. When possible, incompatible duties should be performed by different employees. For example, the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets should be assigned to different people in the Authority to the extent possible.

When assessing the Authority's internal control, the relationship between the nature and extent of fraud controls recommended and the cost of implementing those controls should be considered. For example, instead of trying to prevent fraud, the Authority may choose to use more detective controls to ensure that the fraud is identified and corrected in a timely fashion. Because detective controls are performed after the original transaction occurs, they may be easier to implement and more cost effective.

We would be pleased to provide more information about performing a risk assessment or assist management in performing one.

Review Payroll Records for Unusual Matters

Performing a careful review of the payroll register (that is, the schedule showing the calculation of gross pay, deductions, and net pay) and payroll check register can highlight several types of payroll fraud. We recommend that an appropriate person periodically make such a review, being alert for unusual matters that might suggest fraud, such as the following:

- Duplicate names or addresses.
- Names of former employees.
- Math errors (which may indicate diversion of payroll or payroll taxes).
- Unusual pay rates or numbers of hours worked.
- Factors that may indicate ghost employees.